

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED

OCT 31 4 44 PM '97

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS TO INTERROGATORY OF AMERICAN BUSINESS PRESS (ABP/USPS-T15-3)

The United States Postal Service hereby provides the revised response of witness Patelunas to the following interrogatory of American Business Press:

ABP/USPS-T15-3, filed on September 17, 1997. The original response was filed on October 1, 1997.

The revisions are made as a result of questions raised in oral cross-examination of witness Patelunas on October 22, 1997. See *Tr. 13/7308-09*. The revisions are to the end of subpart (a) of the response and to columns 6 through 10 only of the attachment to the response.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

A handwritten signature in dark ink, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
October 31, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS
TO
INTERROGATORIES OF THE AMERICAN BUSINESS PRESS
(Revised 10/31/97)

ABP-T15-3

a) Please explain in detail why you project that purchased transportation costs for regular-rate periodicals will increase 11.45% between 1996 and 1998, as compared with the 14.8% increase shown for periodical transportation between 1995-1996.

b) How much did private sector, national long-haul freight (provide separate answers for truck and rail) carriers on average increase their over-the-road rates between 1995 and 1996 for non-postal freight customers?

c) Does USPS compare its annual surface (or air) purchased transportation costs with national transportation industry data to evaluate if its costs are comparable to freight costs for other large national shippers? If it does make this comparison, please provide all studies, reports and analyses covering time periods since January 1988, since the current transportation cost allocation method derives from the decision of the Governors in Docket R87-1.

RESPONSE

a) The 14.8 percent increase is an overstatement of the cost increase from 1995-1996. Additionally, see my response to ABP-T15-1.

With regard to the increase from base year to test year after rates in this docket, please refer to Attachment I to this response. Lines 1 - 10 in columns (1-5) show the cost changes that appear in the rollforward model from Base Year 1996 through Fiscal Year 1997. Lines 12 - 19 in columns (1-5) show the cost changes that appear in the rollforward model from Fiscal Year 1997 through Test Year 1998 After Rates. Line 11 of columns (1-5) is the total change between Base Year 1996 and Fiscal Year 1997 and line 12 of the same columns is the percent change for that period. Line 21 of columns (1-5) is the total change between Fiscal Year 1997 and Test Year 1998 After Rates and line 22 of the same columns is the percent change for that period. Columns (6-10) show the

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS
TO
INTERROGATORIES OF THE AMERICAN BUSINESS PRESS
(Revised 10/31/97)

RESPONSE continued:

individual impacts in terms of the total change. For example, line 3 of column (6) shows the 1.84% of the total base year to test year change that was the result of the FY 1996 to FY 1997 cost level effect in the rollforward model.

The development of the factors used in the rollforward model to calculate the amounts referenced in Attachment I can be found in USPS Library Reference H-12.

b) I have not studied this matter.

c) It is my understanding the Postal Service does not make this comparison. Also, the current transportation "cost allocation method" does not derive from the decision of the Governors in Docket R87-1. While it is fair to say that our econometric-based volume variability methodology was adopted at that time, and updated and improved in this case, the distribution methodology for Cost Segment 14 was initiated in Docket No. R90-1 with the development and implementation of TRACS. Passenger rail TRACS data were added in Docket No. R94-1, and new air distribution keys were added in this case. The Postal Service's transportation costing improvements are a matter of record in the rate and classification proceedings over the last decade.

Periodical Regular Rate

Line	Column=>	Absolute Total Change					Percent Change of Total				
		Air (1)	Highway (2)	Rail (3)	Water (4)	Total (5)	Air (6)	Highway (7)	Rail (8)	Water (9)	Total (10)
1	96MODS	13,515	158,791	72,880	3,108	248,294					
2											
3	CL	896	5,574	867	105	7,442	1.84%	11.43%	1.78%	0.22%	15.27%
4	MV	307	3,497	1,569	68	5,441	0.63%	7.17%	3.22%	0.14%	11.16%
5	NV	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
6	AD	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
7	CR	-676	0	0	0	-676	-1.39%	0.00%	0.00%	0.00%	-1.39%
8	OP	1,043	7,044	0	0	8,087	2.14%	14.45%	0.00%	0.00%	16.59%
9											
10	97RCR	15,085	174,906	75,316	3,281	268,588	3.22%	33.06%	5.00%	0.35%	41.63%
11	Change	1,570	16,115	2,436	173	20,294					
12	% Change	11.62%	10.15%	3.34%	5.57%	8.17%					
11											
12	CL	-443	2,449	2,154	94	4,254	-0.91%	5.02%	4.42%	0.19%	8.73%
13	MV	30	365	160	7	562	0.06%	0.75%	0.33%	0.01%	1.15%
14	NV	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
15	AD	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
16	CR	-31	-2,393	0	0	-2,424	-0.06%	-4.91%	0.00%	0.00%	-4.97%
17	OP	1,096	4,671	0	0	5,767	2.25%	9.58%	0.00%	0.00%	11.83%
18											
19	98RCB	17,307	196,113	80,066	3,555	297,041	7.78%	76.56%	14.74%	0.92%	100.00%
20											
21	Change	2,222	21,207	4,750	274	28,453					
22	% Change	14.73%	12.12%	6.31%	8.35%	10.59%					

Sources: Cols (1-5) Lines (1-10) USPS-T15 WP-A
 Cols (1-5) Lines (11-20) USPS-T15 WP-F
 Col (5) Lines (1-19) = Sum cols(1-4)
 Cols (1-5) Line 11 = Line 10 - Line 1
 Cols (1-5) Line 12 = Line 11 / Line 1
 Cols (1-5) Line 21 = Line 19 - Line 10
 Cols (1-5) Line 22 = Line 21 / Line 10
 Cols (6-10) = relevant change portion / total change

DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, appearing to read "Richard Patelunas", written over a horizontal line.

Dated: 10/31/97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
October 31, 1997